

Private foundation; set-aside amount. A private foundation may set aside under section 4942(g)(2) of the Code, by means of a bookkeeping entry, the amount by which its minimum investment return for its immediately preceding taxable year exceeds its adjusted net income for that year.

Pursuant to section 4942(g)(2) of the Internal Revenue Code of 1954, a private foundation requested approval of a set-aside in the amount of x dollars, the amount by which its minimum investment return, as defined in section 4942(e), for its immediately preceding taxable year, exceeded its adjusted net income, as defined in section 4942(f) for that year. For the immediately preceding taxable year, the foundation made qualifying distributions in an amount equal to its adjusted net income.

Held, so long as the requirements of section 4942(g)(2) of the Code are otherwise met, the amount set aside may be that amount by which a private foundation's minimum investment return for its immediately preceding taxable year exceeds its adjusted net income for that year. The amount set aside need not reflect an accumulation of income, but may be a bookkeeping entry that will require funding out of corpus by the end of the set-aside period.